

Rhode Island Economic Development Corporation

Enterprise Zone Council

Minutes of Meeting of November 27, 2007

RIEDC: Narragansett Room

315 Iron Horse Way, Suite 101

Providence, RI 02908

In attendance:

COUNCIL AFFILIATION

R. Caniglia Stand Corp.

D. Varin Vice Chairman

M. Wood RI League of Cities and Towns

B. Parson RIEDC

D. Langley Urban League of RI

OTHER AFFILIATION

V. Barros RIEDC

J. Garrahy Legal Counsel

M. Godin Needs, Inc.

A. Crisman Mt. Hope Enterprise Zone

M. Canole Division of Taxation

B. Vild Statewide Planning

Vice Chairman Varin called the meeting of the Enterprise Zone

Council to order at approximately 10:05 AM and noted that there was a quorum present.

The first order of business before the Council was the minutes from the October 23, 2007 meeting.

Mr. Varin asked for a motion to approve the October 23rd meeting minutes. Mr. Parsons made the motion; seconded by Mr. Wood. Mr. Varin asked if there were any additional comments or questions.

There being no further discussion, the motion was unanimously approved.

The next order of business before the Council was 2007 Recommendations for Membership.

Mr. Varin referred the Council to a revised report that was distributed prior to the meeting. Mr. Barros stated that the revised report including the addition of two (2) businesses one in the Portsmouth/Tiverton Enterprise Zone: Posh and Naughty, the other in the Pawtucket/Lincoln Enterprise Zone: K D Fixtures. He stated that staff recommended approval of all four (4) business as presented on the revised membership report bring the year-to-date total to fifty five (59) new member businesses for 2007.

Mr. Varin asked for a motion to approve the revised recommendations

for 2007 membership. Mr. Parsons made the motion; seconded by Mr. Wood. Mr. Varin asked for comments or questions.

Mr. Varin asked if Raytheon's employment figure was inclusive of all the Raytheon employees at the Portsmouth location and if there were other facilities in the state.

Mr. Barros and Mr. Clark confirmed that the employment figure was inclusive of all employees at the location in Portsmouth and that there were no other sites in the state that they were aware of.

Mr. Vild informed the Council that Capco Steel was pursuing a Federal EDA grant to fund a major expansion at their Providence location. Mr. Barros added that the RIEDC was working with the City of Providence in support of Capco's EDA grant application.

(Prior to taking the vote, Mr. Caniglia arrived at the meeting).

There being no further discussion, the motion was unanimously approved.

The next order of business before the Council was a Recommendation for 2006 Carry Forward Authorization.

Mr. Barros stated that there was one (1) business being recommended for 2006 carry forward authorization: Gorman Roofing

in the Central Falls/ Cumberland Enterprise Zone. He stated that the business had meet the requirements for 2006 carry forward authorization and that staff recommended approval of the business as presented, bring the year-to-date total to fifteen (15) approved for 2006 carry forward authorization.

Mr. Varin asked for a motion to approve the recommendation for 2006 carry forward authorization. Mr. Wood made the motion; seconded by Mr. Caniglia. Mr. Varin asked for comments or questions.

There being no further discussion, the motion was unanimously approved.

(Mr. Langley arrived at the meeting).

The next order of business before the council was the a Review of the 2006 EZ Job Creation Report.

Mr. Barros walked the Council through the report which provided detailed information of every job created by enterprise zone certified businesses in 2006 and included the company names, number of jobs created by those companies, job titles, hourly wages and annualized wages.

Mr. Barros talked about the methodology he employed when determining the fiscal cost impact of the 1,182 new jobs created by

enterprise zone businesses in 2006. He explained that because it is not known how much of an awarded tax is actually utilized by a business (which is based on the tax liability of a business for a given tax year), he had to assumed a 100% usage rate for the purpose of cost analysis. For example, in the case of Advanced Radiology, Inc., a EZ certified business that hired four (4) new employees in 2006, one (1) of whom was an EZ resident, the other three (3) were not, the fiscal cost impact for those new hire was estimated at \$12,500. Under the full utilization scenario, the resident hire equated to a \$5,000 credit while the non-resident hires equated to a tax credit of \$2,500 a piece (3 x \$2,500).

Mr. Barros added that by using the methodology of full tax credit utilization, the total fiscal cost impact of the program for 2006 was approximately \$3.6 million. He stressed that this was an estimate based on full utilization which is not completely picture of the tax cost impact.

Mr. Crisman suggested that we use some 'reasonable estimate' of tax credit usage that is more realistic than the 100% utilization scenario.

Mr. Barros agreed that an estimate would be better than this sort of 'worse case scenario' estimate of program cost to the state.

Mr. Barros stated the average wage for the program in 2006 was approximately \$15 per hour. A brief discussion ensued about the

validity of using average wage as an economic indicator and how Rhode Island's average wage compared nationally both today and historically.

Mr. Langley expressed his view on the state of economic development in RI stating that the state needs to do a better job of attracting businesses that create higher wage jobs and that the state needs to do more to keep new businesses viable. “ ...Rhode Island is viewed a poor place to start and grow a business and we need to change that in order to grow jobs and wages.”

A brief discussion ensued about Rhode Island's business environment and how we can competitively position the state as a knowledge based economy.

Mr. Wood asked if the EZ program was in jeopardy because of the perceive fiscal cost of the program despite its impact in terms of new jobs and wages?

Mr. Barros stated that, in his opinion, given the state's budget deficit, each and every tax credit program and incentive, is subject to critical review by the state budget office, the General Assembly and other decision makers.

Mr. Barros review an draft proposal designed to better align the EZ program with the RIEDC strategy to create higher wage jobs. He

explained that the proposal would modify the EZ tax credit by eliminating the credit for jobs less than \$10 and offer a sliding scale model for credits related to jobs paying between \$10 and \$16 per hour. With full credits offered for any job created at \$16 per hour or greater. Based on 2006 job creation data, this proposed change could have resulted in \$1.8 million in tax credit savings. He also noted that there would be about 100 jobs eliminate from EZ tax credit consideration because they fell below the \$10 per hour minimum threshold.

An intense discussion ensued. Topics included the need to annually adjust any proposed sliding scale for inflation or some other economic indicator, how eliminating lower wage jobs impacts unemployment and other state support services, how a new hire impacts the upward movement of other employees within a company and how new job/economic multipliers impact the revenue side of the cost/benefit equation.

Mr. Crisman expressed his concern over the proposal as did Mr. Langley. Mr. Crisman stressed the importance of \$9 and \$10 per hour jobs by saying that people hired at that level are mostly entry level hires who, within a short time, may be earning more than their starting hourly and may trigger movement within the company – a existing employee getting bumped up to a higher paying position with the company because of that new hire.

Mr. Crisman added that such a proposal seems to be ignoring the needs of the state's existing population of low to moderate skilled workers who most need programs like the EZ and workforce development training grants to gain employment and begin to improve their workplace skill sets.

Mr. Canole asked about the new Innovation Tax Credit. He asked several questions including what is being issuing, what will it look like, how is it going to function and how are businesses going to claim the credit?

Mr. Barros responded by saying that the Council plays no role in the Innovative Tax Credit but the RIEDC does so he would have someone from the RIEDC contact Mr. Canole to provide details and address his questions and concerns.

There being no other business to come before the Council, Mr. Varin asked for a motion to adjourn. Mr. Parsons moved to adjourn. Mr. Wood seconded the motion. The motion was approved unanimously and the meeting was adjourned at 11:10 a.m.